

The Creation of Innovative Local Governance : Emergent Process & Organizational Strategy of Policy Innovation on Public Management through KBG & LO Model

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This paper covers the topic of emergent process and organizational strategy of policy innovation on public management, which encompasses the concept of KBG(Knowledge Based Governance) and LO(Learning Organization). To make innovation happen we need open communication and dialogue with a sense of fulfillment and self realization. LO emphasizes to set vision and dream with a sense of fulfillment to realize individual greatness.

In government, LO regards that staff member is also a citizen with a sense of fulfillment and feel motivated through learning to nurture mutual understanding and respect with citizens to realize individual greatness.

1, Rise of "New Public Management"

According to Ohmi (2002), NPM began in the UK, was supported in New Zealand, Australia, Canada and so on, in particular in the Anglo American countries, and became a leading theory of administrative reform¹⁾. Though it is a little long, the following is quoted from Ohmi(2002). The concept of NPM is a combination of "public" which is from public administration and "management" which is from business management, trying to introduce the business method (based in the competition theory) into the machinery of government. However it is based on Market Liberalism. NPM tries to realize small and strong government by the strengthening of administrative management, concentrating on management (Ohmi, 2002).

The efficiency of this method and effect of administrative reform was admired by a lot of countries and in the 1990s it attracted a great

deal of attention all over the world. Also in Japan, some theories are based on the NPM approach, such as the agency model and revitalization of private economy (Ohmi,2002). Although there are some variations of the NPM theory dependent on state, era, and commentator, a common theme is that "it tries to apply the management theory used in private enterprises to public enterprises as much as possible". The basic framework consists of following three points (Ohmi, 2002).: 1) Trying to apply the "competition theory" as much as possible, dividing the administrative service sector into "unit" activities which are more decentralized. 2) Separating the planning from the execution of policies. The former is decided centrally, viewed consistently with the whole. The power of the latter is dependent on the units. 3) Applying the administrative methods based on the results. Therefore, the main points of the NPM approach are ①application of competition theory to administrative services,

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②privatization or contracting out of decentralized enforcement sector of policies and ③ application of a system to value performance by results. With respect to this point, Osumi (2001) made a comparative study of the NPM approach and the traditional bureaucratic system (See table 1) (Ohmi, 2002).

- 1) Expansion of choice to the extent that "consumer as No.1 principal" or "freedom of choice" can be applied.
- 2) Establishment of a method to realize the value of money.
- 3) Building a structure which offers administration to the people and allows for accountability.
- 4) Giving a budget flexibility.
- 5) Introduction of Performance-Related-Pay.

2, Definition of Knowledge-Based Management in the Public Sector

The concept of knowledge has been widely used in many disciplines²⁹⁾. In management theory, 'knowledge creation' was once termed as a key to the distinctive ways that Japanese companies innovate (Nonaka and Takeuchi, 1995). The most common definition of 'knowledge-based management' is "to utilize organizational knowledge created by individuals in product development and service / operational improvement." It has developed mostly in the private sector. Many companies have successfully applied it to organizational development, transferring wisdom of long-serving employees to new entrants, and sharing information and experiences among different organizational units in accordance with recent expansion of databases and the intranet (Furukawa & Hoshino, 2001).

Then, what is the definition of 'knowledge-based management' in the public sector where imperative communication is expected not only

internally but also between citizens and government? It is defined as "utilizing organizational knowledge created by citizens and government in policy development and service/operational improvement of government." A thick wall has prevented citizens from acquiring timely and correct information held by government. At the same time, information from citizens has not been correctly and fully transferred to government. At most, a handful of people are invited to serve as members of a given government advisory committee or a council and to give their opinions on a specific area. While this mechanism is a good source of citizen input in the policy process, it is often unreasonably used to justify government policies and programs (Furukawa & Hoshino, 2001).

This lack of interactive and precise communication has caused insufficient use of public opinion in policy-making, and conflicts between citizens and government in the case of public works projects. Moreover, genuine information and knowledge sharing is scarce between central and local governments. This is also true to the central government where each ministry is reluctant to share such information and knowledge to solve problems which citizens raise (Furukawa & Hoshino, 2001).

Furukawa & Hoshino (2001) proposed the new term "knowledge-based governance (KBG)" which combines the concept of 'knowledge-based management' in the public sector with 'government governance.' This new concept includes the process where both citizens and government learn from sharing national/regional/community goals and targets and identifying the level to be achieved. Thus, KBG is different from the concept of the New Public Management (NPM) which was theorized and formulated based on the results of public sector reform experiences in the last two decades in

the United Kingdom and New Zealand, and so on.

According to Furukawa & Hoshino (2001), there are some common principles between NPM and KBG. Typical examples are the application of a management cycle of plan-do-see functions and the principle of competition. While NPM stresses introduction of competition for improving efficiency, KBG broadly refers to a competition with other nations/regions/communities by involving collaboration with citizens. Following are four different characteristics of KBG and NPM (Furukawa & Hoshino (2001):

1) How to regard citizens:

- NPM often regards citizens as customers of services provided by government, and introduces the principle of competition in this service delivery;

- KBG regards citizens as a balanced mixture of citizen's four aspects: customer, taxpayer, principal of autonomy and interested supplier.

2) The target of improvement:

- NPM emphasizes improving services by quickly and adequately responding to the needs of customers and/or by reducing cost;

- KBG puts more emphasis on improving the partnership between citizens and government, and also on solving problems to achieve national/regional/community goals.

3) Who changes:

- NPM presupposes an attempt to change only government organization and individuals as a service provider to citizens;

- KBG attempts to change not only governmental organizations and individuals, but also citizens themselves in order to realize knowledge and role sharing for achieving common goals.

4) Principles of organizational improvement:

- The most representative principle of NPM

is "management by results by letting managers manage." Thus, NPM stresses the necessity of separating planning and policymaking from the executive function in the management cycle of 'Plan-Do-See.' An organization in charge of planning strictly controls the agency (a unit of executive function) based on the results of implementation and of cost-effectiveness instead of giving authority to the agency. This organizational principle expects the agency to improve service quality.

- The most representative principle of KBG is "cooperation between citizens and government by sharing knowledge and goals/targets." In the overall process of policy formulation, government should endeavor to correctly inform citizens of government information as well as to listen to their voices without prejudice. This process is followed by the accumulation of information as organizational knowledge. Thus, the KBG emphasizes setting goals by sharing knowledge between citizens and government, rather than evaluating the level of goal achievement. Additionally, the goals are more policy-oriented than the service levels which NPM stresses (Furukawa & Hoshino (2001).

In the past, national/regional/community goals were set at the budgetary process where stakeholders were most interested in how much of an appropriation was made for a specific program or project. This spending was equated with goals, established according to the major concerns of interested suppliers. This orientation led to a keen interest in the budget rather than performance measurement. However, the shift from suppliers' interests to balanced citizens has enabled setting outcome-oriented goals, explaining to what extent a nation/region/community has realized their vision for improved conditions. Their interest has been

naturally expanded to the fiscal status of government, and the effective use of taxpayers' money (Furukawa & Hoshino (2001).

3, Emergent Process & Organizational Strategy of Policy Innovation on Public Management through KBG & LO Model

According to Erhan (2000), learning organization (LO) is argued to stand as a valid theoretical alternative to the rational organization. Whereas rational organization acts according to the principles of rational choice and decision making, learning organization refers to principles of experimentation, trial and error, success and failure, innovation and flexibility.

Erhan (2000) distinguishes rational organizational paradigm from learning organization and describes that the history of the rational organizational paradigm relies back to the studies of Adam Smith (Division of Labor), Max Weber (Bureaucracy), Frederick Taylor (Scientific Management), Henri Fayol (Administrative Theory), etc. Studies of rational organizational theorists overemphasize control, efficiency; focus on standardized policies, procedures, rules, and regulations. Rational organizations are reactive to the changes.

Then we shall examine the LO study more precisely with quoting Erhan (2000) in the following sentences, though it is a little long³⁾.

In system thinking, the "structure" is the pattern of interrelations among key components of the system. LO deals with the systematic structure and design irrationalities. In a learning organization, systemic thinking provides with the ability to eliminate the cognitive biases. Senge argues systemic thinking as fifth discipline in learning organizations. His studies have been grounded in system dynamics. In his view, ineffective organization is a function of ill-designed systems. He uses erroneous perceptions of causal-relation(causality). In

his bestseller book, *The Fifth Discipline*(1990), he combines technical models (system dynamics based models) with the softer concepts of vision and personal mastery. Thus he tries to synthesize technical and socio-human issues (Erhan, 2000).

In Nonaka and Takeuchi's approach (1995), called knowledge-creation, they define the flows of knowledge as acquisition, distribution, interpretation and storing. Nonaka and Konno (1998) propose the concept of "ba", which is described as a shared space for emerging relations as well as that serves as a foundation for knowledge creation. Therefore, in their terminology, knowledge is embedded in ba (in these shared spaces), and if knowledge is separated from ba, it turns into information. Information is independent and tangible observable easily in IT environment, whereas knowledge is "ba" dependent, intangible (Erhan, 2000).

They use an upward spiral process, starting from individual, moving up to group, and at the end, to organization. In their theory of organizational knowledge creation, they argue that organizations create knowledge through social interactions in which both tacit and explicit knowledge is shared. Explicit knowledge is "codified" knowledge, easily transformable and transmittable in formal, systematic terms. Tacit knowledge is personal, hard to formalize, transform and communicate. M. Polanyi is the first scholar dealt with the tacit knowledge. His studies inspired famous scholar's studies on tacit knowledge and knowledge creation such as Nonaka, Takeuchi, etc (Erhan, 2000).

Learning occurs through individuals. All organizations are composed of individuals. Groups learn through shared work practices. Performance feedback, shared conception and coordinated behavior all constitute the several as-

pects of group learning (team learning). Some scholars analyze group learning in a broad sense and call it "community learning" or LO through "communities-of-practice". Almost every solving and the institutionalization of the solutions, that have proved definition overlaps with the "occupational communities and cultures" studies of Schein (1996). These studies enlighten a bottom-up view of the OL (Organizational Learning), from practice into theory. Also some scholars use group learning as an observation and experiment tool for OL. Despite individual learning or group learning concepts are narrow in extent compared to OL, they provide meaningful insights for LO (Erhan, 2000).

M.M. Crossan, H.W.Lane and R.E.White who are in Richard Ivey School of Business of Canada made a model to links between individual, group, and organizational learning (CLW, 1999). See Table 2. They pointed out the importance of recognizing and managing the tension between exploration and exploitation when organizational renewal process occurs. And they developed an organizational learning framework to address the phenomenon of renewal to links between three layers (Erhan, 2000).

Organizational learning is a dynamic process. Figure 1 shows it. Not only does learning occur over time and across levels, but it also creates a tension between assimilating new learning(feed forward) and exploiting or using what has already been learned (feed back). Through feed-forward processes, new ideas and actions flow from the individual to the group to the organization levels. At the same time, what has already been learned feeds back from the organization to group and individual levels, affecting how people act and think. The concurrent nature of the feed-forward and feedback processes creates a ten-

sion, which can be understood by arraying the levels against one another (Erhan,2000).

Then we propose the new LO model which is shown Table 3 and Figure 2. These show the position of four typologies of public management strategy on management & learning. LO model has an organizational style of open communication and dialogue with a sense of fulfillment and self realization to emerge policy innovation. LO emphasizes setting vision and dream by self-directed learning with a sense of fulfillment to realize individual greatness. And LO makes cooperation with a sense of fulfillment and mutual trust to realize our vision and dream through sharing knowledge and goals/targets. LO regards staff member is also a citizen with a sense of fulfillment and feel motivated through self-directed learning to nurture mutual understanding and respect with citizens to realize individual greatness.

(Received : June 16, 2008, Accepted : July 4 , 2008)

Notes

- 1) Cf., Ohmi, KoJI. (2002).
- 2) Cf., Furukawa &Hoshino.(2001)
- 3) Cf., Erhan,Candas.(2000).

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Table 1: Comparative Review between Traditional Bureaucracy and NPM System (Ohmi, 2002)

Traditional Bureaucracy	NPM
Control by Laws and Regulations	Control by Goal/ Performance
Specialization System	Flexible System for Efficiency as Service Provider
Typical Hierarchy System	Management by Contract with Unit Organizations which are Valued Independently
Absence of Strategy Management	Management Reflecting Customer Needs

Table 2: Learning /Renewal in Organizations: Four Processes through Three Levels (CLW, 1999)

Level	Process	Inputs/Outcomes
Individual	Intuiting	Experiences Images Metaphors
	Interpreting	Language Cognitive map Conversation/Dialogue
Group	Integrating	Shared understandings Mutual adjustment Interactive systems
Organization	Institutionalizing	Routines Diagnostic systems Rules and Procedures

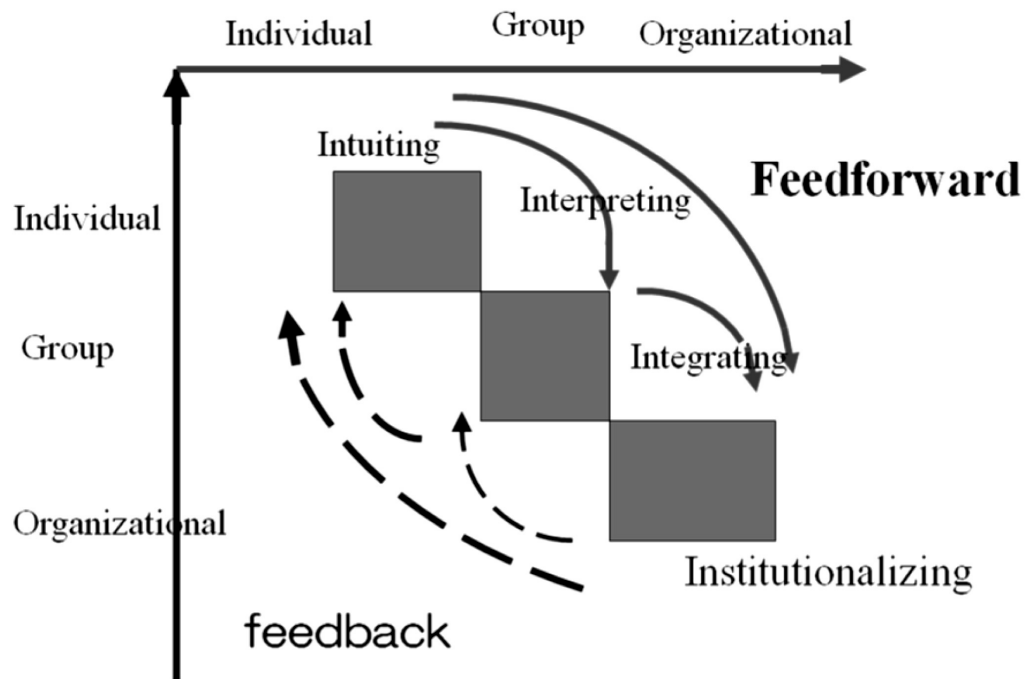


Figure 1: CLW model

Table 3 : Comparison of Four Typologies of Public Management Strategy

Traditional Bureaucracy	NPM	KBG	LO (Learning Organization)
Control by Laws and Regulations	Control by Goal/ Performance	The goals are more policy-oriented than the service levels which NPM stresses.	Open communication and dialogue with a sense of fulfillment and self realization to emerge policy innovation
Specialization System	Flexible System for Efficiency as Service Provider	KBG emphasizes setting goals by sharing knowledge between citizens and government, rather than evaluating the level of goal achievement.	LO emphasizes setting vision and dream by self-directed learning with a sense of fulfillment to realize individual greatness.
Typical Hierarchy System	Management by Contract with Unit organizations which are Valued Independently	Cooperation between citizens and government by sharing knowledge and goals/ targets.	LO make cooperation with a sense of fulfillment and mutual trust to realize our vision and dream through sharing knowledge and goals/ targets
Absence of Strategy Management	Management Reflecting Customer Needs	KBG regards citizens as a balanced mixture of citizen's four aspects: customer, taxpayer, principal of autonomy and interested supplier. Then it manages reflecting citizen's four aspects needs.	LO regards staff member is also a citizen with a sense of fulfillment and feel motivated through self-directed learning to nurture mutual understanding and respect with citizens to realize individual greatness.

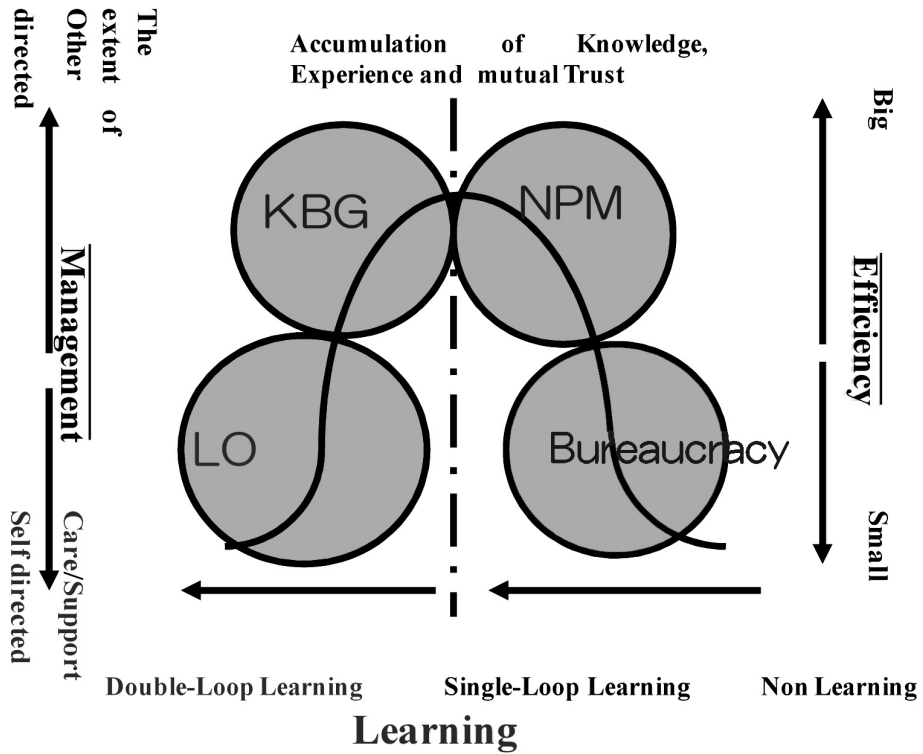


Figure 2 : The Position of Four typologies of Public Management Strategy on Management & Learning